



JUNCTION NATIONAL BANK

THE Brand Name in Kimble County Banking

701 Main Street P.O. Box 65 Junction, Texas 76849
Phone: 325-446-2531 FAX: 325-446-3178 Toll Free In Texas: 888-414-7400
Telephone Banking: 325-446-8600 www.junctionnational.com

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July 22, 2011

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Delivery via E-mail to regs.comments@federalreserve.gov

Re: Regulation Z; Docket No. R-1417; Notice of Proposed Rulemaking – Regulation Z; Truth in Lending

Dear Ms. Johnson:

Junction National Bank of Junction, Texas, a \$45,000,000.00 financial institution, is independently owned and has been serving the financial needs of Kimble County residents since 1935. The bank retains and services all loans in the loan portfolio and takes pride in this customer service. Our bank is conservative in nature and operates in a safe and sound manner. Junction National has always determined the consumer's ability to repay prior to extending mortgage loans.

There is concern regarding proposed definitions. Definitions proposed for "rural and underserved" are extremely restrictive and cumbersome. Junction is a rural community located in the Texas hill country; estimated population 2,600 and approximately 4,500 residents residing within the county. Unfortunately, according to the proposed definition of rural, the urban influence code of 9 precludes Kimble County from being designated rural due to the fact that the County is adjacent to micro area and contains a town of 2,500-9,999 residents while counties almost 4 times the size of Kimble County are considered rural. Micro areas adjacent to the County are more than 50 miles from Junction and institutions do not actively market to Kimble County. The use of county population should determine if an institution is considered rural or not.

According to proposed definitions, Kimble County would be underserved as only two creditors offer consumer mortgage loans five or more times in the county at the present time. However, the use of two or fewer is not an appropriate number and there is no method to determine the number of consumer mortgage loans originated by creditors. A slightly larger number of creditors would be more appropriate and the size of the institutions offering mortgage products located in the county would provide for a better definition.

As stated previously, the bank retains and services all loans in the loan portfolio. Junction National Bank's only consumer mortgage loan product is a balloon loan. The 5 or 7 year balloon feature mitigates interest rate risk. The bank would not originate consumer mortgage loans without this trait. Under the four options for compliance with the ability to repay requirements, a loan that would provide special protection from liability such as a "qualified mortgage" would be desired. If the balloon feature "disqualifies" the mortgage loan and thereby eliminates the special liability protection, smaller institutions may elect to not offer a consumer mortgage loan product. This action would adversely affect the consumer, especially in rural communities such as ours.

The proposal is complex and compliance with requirements will be onerous. Simplification of regulations should be a desired goal and further consideration for improvements should be considered.

Thank you for the opportunity to comment.

Respectfully submitted,

A handwritten signature in cursive script that reads "Darla Rooke". The signature is written in black ink and is positioned above the printed name and title.

Darla Rooke
President/C.E.O.